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SECDEF FOR SECRETARY GATES FROM AMBASSADOR GRAPPO

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SUBJECT: SCENESETTER FOR SECRETARY OF DEFENSE ROBERT GATES'
VISIT TO OMAN

Classified By: AMBASSADOR GARY A. GRAPPO FOR REASONS 1.4 (B) AND (D)

Introduction

11. (SBU) Secretary Gates: Embassy Muscat and I warmly

welcome you to Oman. We have requested an audience for you with Sultan Qaboos bin Said, Oman's head of state, as well as a meeting with your Omani counterpart Sayyid Badr bin Saud bin Harib al-Busaidi, Minister Responsible for Defense Affairs.

Summary

12. (S) While Oman remains a close regional ally, it prefers to maintain a low-profile and favors dialogue and engagement to confrontation. The Omanis refer to their relationship with us as "strategic." Regional threat issues remain a prominent concern for the Omani leadership; however, Oman's perspective on the threat posed by Iran often is different from that of the USG and even its GCC partners. Instability and sectarian violence in Iraq (which Oman fears could spread elsewhere in the region) and the Israel-Palestinian conflict are two other key regional concerns for Oman. Our engagement with the Omani security forces continues to grow, especially in the area of border security. Oman's military, while small, is a professional, well-trained force, as evidenced by its successful hosting and execution last February of the GCC combined/joint exercise Peninsula Shield involving more than 27,000 troops from all six GCC states.

13. (C) Oman participates in the Gulf Security Dialogue, hosting the most recent bilateral meeting last October. The U.S.-Oman Joint Military Commission (JMC), held here in March, as well as the follow-on Military Working Group discussions, held in Tampa last month, were very successful. In addition to making progress on bilateral activities, both sides had frank discussions concerning regional issues. On the economic front, Oman is taking advantage of surpluses generated by high oil prices to diversify its economy and expand the country's infrastructure. Oman held generally free and fair elections for the lower house of its consultative chamber in October. Currently, this and the Sultan-appointed upper chamber play little more than an

advisory role in governance. End Summary.

Strong Bilateral Relationship

14. (SBU) The United States enjoys a strong bilateral relationship with Oman, one that officially dates back to 1833 with the signing of the Treaty of Amity and Commerce. Today, the Sultan and his government are decidedly pro-West and a firm American ally, as evidenced by our long-standing base access agreement with Oman (unprecedented in the Gulf when first signed in 1980) and the more recent U.S.-Oman Free Trade Agreement. Oman is also a solid partner in the Global War on Terrorism, but generally prefers to maintain a low profile in its support of Coalition efforts, such as Operation Enduring Freedom and Operation Iraqi Freedom. Oman has consistently allowed us extensive use of its military bases. Our ongoing engagement with the Omani military continues to grow and deepen, especially with Oman's purchase of 12 F-16s and greater interest in cooperating on border security matters.

Regional Security Concerns

15. (S/NF) A traditionally staunch supporter of the Middle East peace process, Oman takes an objective, pragmatic and non-confrontational approach to pressing regional security issues.

a. (S/NF) Oman-Iran Relations: Oman maintains regular political and military ties with Iran and is careful to avoid provoking Iran. The Omani leadership repeatedly underscores

that its strategic relationship clearly lies with the United States (and the U.K.). Oman uses its good relations with Tehran to advocate a more conciliatory approach towards the West and shares its insights and observations concerning Iran with us regularly. Oman's Minister Responsible for Foreign Affairs lobbied strongly for the release of the 15 British sailors and Marines taken captive by Iran in March. Senior Omani government officials repeatedly advise us that sanctions against Iran could prove counter-productive and may strengthen hard-line attitudes in Tehran. The Sultanate does not favor attempts to isolate the Iranian regime; it prefers dialogue and cooperation with Iran on mutual maritime security and other shared interests - including possibly importing Iranian gas to fuel Oman's expanding industrial needs.

b. (S/NF) Omani Threat Perception: Oman is disturbed by Iran's growing influence in the region -- including its trouble-making in Iraq and Lebanon -- and is worried about the long-term consequences of this destabilizing behavior. Nevertheless, neither the political nor military leadership currently views Iran as a direct threat to Oman's national security, and the Omani government strongly seeks to avoid military confrontation with Tehran. Omani leaders have a unique view of potential Iranian military action in that they do not believe Iran would attack GCC countries with missiles in response to a military strike staged in the Gulf. Instead, they see asymmetric terrorist operations conducted by Iran against Gulf states, including U.S. targets in these states, as more likely. To this end, the Omanis are not keen on acquiring Patriot missiles and are much more interested in Shared Early Warning (SEW) and HIMARS with ATACMs which they view as the most credible deterrent option.

c. (S/NF) Iranian Nuclear Program: Omani security and military officials have indicated that they are very concerned with Iran's nuclear ambitions. In one candid conversation, a senior officer remarked that the Omani military could not decide which was worse: a strike against Iran's nuclear capability and the resulting turmoil it would cause in the Gulf, or inaction and having to live with a nuclear-capable Iran (and the probable reaction of Saudi

Arabia and Egypt to pursue their own capabilities). On the other hand, Omani Minister Responsible for Foreign Affairs Yusef bin Alawi has made public statements that Iran's nuclear program is intended for peaceful, civilian purposes.

d. (C) Israel/Lebanon: The Israeli-Palestinian conflict continues to be a matter of considerable interest, both within the leadership and among the Omani public. Oman closed the Israeli Trade Mission in Muscat in 2000 during the Second Intifada, but supports the Roadmap process and still maintains good (though non-public) communications with Israeli officials, including at the Foreign Minister level. You can expect to hear that a lasting Israel-Palestinian peace will greatly enhance our efforts against terrorism and extremism in the region. The Omani government supports and will participate in the President's November 27 conference in Annapolis. On Lebanon, Oman backs the government of Prime Minister Siniora (who met with the Sultan in January 2007), but hopes that the different Lebanese factions can reach a consensus to resolve the current political crisis there.

e. (S/NF) Iraq: Oman supports our efforts to promote security and political stability in Iraq, but is very concerned about the ability of Iraq's leadership, especially Prime Minister al-Maliki, to overcome allegiance to particular factions/groups. Like its neighbors, Oman is also worried that extremist and sectarian violence in Iraq could spill over to other states in the region. Oman is generally not a source or transit country for either illicit funds or foreign fighters destined for Iraq. A delegation led by Iraq's Minister of State for Parliamentary Affairs visited Muscat in February and Prime Minister Maliki arrived in Muscat on April 25 for talks with the Sultan and senior officials. Though not a major financial donor, the Omani government forgave all Iraqi debt and has publicly condemned several high-profile terrorist attacks, while stressing the need for religious tolerance at home.

f. (S/NF) Terrorism/Money Laundering: Oman has been relatively free from terrorist activity and cooperates with

the USG on terrorism-related issues. Despite sporadic reports of possible planned attacks, no terrorist incidents have occurred in the Sultanate. Oman's borders remain susceptible to infiltration by terrorists, however, and there have been reports of foreign Al Qaeda and Muslim Brotherhood members detained in Oman in recent years. Oman is not a regional or offshore financial center; accordingly, it does not have a significant money laundering problem. Its small banking sector is closely supervised by the Central Bank of Oman, and the government has issued a series of decrees to combat money laundering and terrorism financing.

16. (SBU) Oman has also been a partner in USG reform assistance efforts under the Middle East Partnership Initiative, which focuses on judicial, educational, economic and political reform, as well as women's empowerment. Furthermore, Oman is an active participant in two port/cargo security programs sponsored by the USG: the Container Security Initiative (administered by the Department of Homeland Security), which pre-screens containerized cargo in route to the U.S.; and the Department of Energy's MegaPorts Initiative, which is installing equipment at Omani ports to identify nuclear material.

Domestic Counter-Terrorism (CT) Efforts

17. (S) Border control is one of Oman's top priorities. From May-July 06, Omani forces conducted operations to round-up illegal aliens in the country. The combined force, led by the Royal Army of Oman (RAO) with the assistance of the Air Force, police and the Sultan's Special Forces, was quickly surprised by the scope of the problem. When finished, they had arrested over 7,500 persons, the vast majority of whom were economic migrants or workers with expired visas, along with some smugglers. Of interest was the admission by the

RAO CDR that they had suspected that al-Qaeda members would be arrested in the sweep, though the operation reportedly did not result in the detention of such persons. Since then, the Royal Oman Police Coast Guard (ROPCG) regularly detains smugglers and illegal migrant workers, usually along Oman's northern coast between Muscat and Sohar, with some now coming from the former Soviet republics in Central Asia. More Somalis are allegedly attempting to enter Oman via Yemen.

18. (S) One unofficial estimate placed the number of illegal immigrants apprehended in 2006 at over 25,000. The 2007 numbers appear to have declined, however, as the ROPCG reports that the Iranians are finally cooperating on anti-smuggling efforts after being confronted with firm intelligence. (Note: The bulk of illegal migrants are South Asians attempting to enter Oman (although usually bound for the UAE) from Iranian territory in boats piloted by Iranian smugglers. End Note.) The Office of Military Cooperation (OMC) works with the various military and police services to enhance Oman's ability to police its borders.

19. (S/NF) The Omani security and intelligence services are professional, well-funded and motivated. While there have been no reported incidents of international or domestic terrorism in Oman, there were arrests of an Ibadhi extremist group in 2005, which included clerics and members of the military in addition to private citizens. Also in 2005, two Omani citizens accused of participation in extremist activities were repatriated from abroad, one of whom was arrested while attempting to conduct a suicide operation against coalition forces. With its relatively open and welcoming society and increasing numbers of Western tourists, Oman remains vulnerable to terrorist attacks. Recently, Omani security forces have shown a heightened interest in better counter-terrorism (CT) training, and the Sultan's Special Force (SSF) is standing up a 4th battalion, which will have urban CT as its sole mission.

Overall Mil-Mil Programs

110. (S/NF) Operations and War Reserve Materials (WRM): Oman has fully supported virtually all access, basing and over-flight requests we have made. NAVCENT flies P-3 patrols

from Masirah Island on an irregular, single-ship deployment basis. NAVCENT also uses the Al Qarin bombing range when U.S. aircraft carriers transit off the coast. In addition, NAVCENT is dramatically increasing the number of port visits it makes to the Sultanate, including liberty visits and logistical re-supply visits. However, Oman does not allow Nuclear-Powered Warships to enter its ports; last year, the Omanis turned-down a proposed carrier port call. CENTAF's WRM sites at Seeb, Masirah and Thumrait -- which house almost USD 10 billion in WRM weapons, equipment and supplies -- are robust and active in support of current Middle East and South Asia military operations. The military portion of Seeb airport will be closed by December 21012, but the Omanis are constructing a new airbase at Al Masanah -- close to the northern port of Sohar -- and are keen to have U.S. Air Force presence at this base. CENTAF is developing plans for what WRM will move to Al Masanah and how much contingency infrastructure it would like to have.

111. (S) Exercises: Most of last year's bilateral exercises were canceled due to the joint GCC exercise held here. However, we have been able to hold smaller, more focused activities such as ARCENT's artillery seminar, and we conducted Counter-IED training as part of Safe Handling exercises. For FY08, initial indications are we will be able to conduct two Joint Combined Exercise for Training (JCETs) as well as two air, two EOD, two naval and one ground exercise.

112. (U) IMET/CTFP/NESA: FY06 IMET program was USD 1.089M with Oman sending 27 students to the U.S.; five students were sent under the Counter Terrorism Fellowship (CTF) Program.

FY07 IMET was USD \$1.135M. Proposed FY08 IMET is USD 1.5M. Qrently, there are 53 Omani NESAs alumni with two new participants preparing for travel. Two Omanis cadets attend the Air Force Academy.

Foreign Military Sales

¶13. (C) FY06 and FY07 FMF is USD 13.86M, a decrease from FY05's USD 19.84M. The FY08 FMF budget request has decreased even further to \$10.10M. OMC is working with Oman's Ministry of Defense (MOD) to best manage the decrease with its five year acquisition plan. Numerous FMF cases are in process, including NVDs, Naval and Coast Guard boats, M-16 rifles, Javelin and TOW-IIB. After the JMC, MOD has indicated its strong interest in acquiring HIMARS with ATACM. At the recently held U.S.-Oman Gulf Security Dialogue in Muscat, MOD leadership stated that HIMARS/ATACM is at the top of its priority list. Key FMS cases are:

a. (SBU) F-16s: Eleven of the 12 aircraft are in country, with the last aircraft (the test plane) testing a fix for a faulty radar in the U.S. Overall, the case has been managed very well and the Omanis are proving very capable as pilots, maintainers and logisticians. Case value is USD 750M. There is considerable interest in standing up a second squadron as well.

b. (U) Tropospheric Scatter Network (Troposcatter) and 1kW HF Radios: These systems will provide integrated national C2; they gained in priority after the Omani operation to roundup illegal immigrants. Company design of system requirements has taken two years, but the systems are expected to be available in the near future.

c. (C) Counter Narcotics/Counter Terrorism/Border Security: The Royal Oman Police, parent organization of the ROP Coast Guard, used Article 1004 funding to upgrade the command and control facility at ROP/HQ and to obtain secure HF radios for Coast Guard boats and stQons. The radio upgrade was completed in December 2006 and provided the ROP with the ability to intercept more illegal smugglers than by using its old system of cell phones. ROP and OMC are working to obtain additional 1004 and 1033 money to institute further border control and counter narcotic/terrorism programs. The first of three Mark V fast boats will be ready for delivery in January 2008.

¶14. (S/NF) Bilateral Intelligence Exchanges: Oman and the U.S. have an active intelligence exchange program (SEAGULL) that is now focused on Iranian military activity. Additionally, Oman and the U.S. operate under an intelligence sharing agreement that supports a U.S.-provided ELINT system (Cluster Spectrum). However, maintenance problems have rendered the aging system ineffective. Oman is looking to acquire new ELINT/SIGINT equipment to fill the gap.

Economic and Political Update

¶15. (SBU) Oman's economy is based primarily on revenues derived from petroleum and natural gas, which are expected to account for 79% of the government's income in calendar year ¶2007. High oil prices over the past several years have led to significant Omani budget surpluses and high GDP growth, despite gradually declining oil production. With its coffers flush with oil revenue, the government has been keen on reducing its debt, building its strategic reserve funds, and shoring up its pension system. In efforts to diversify its economy, Oman actively seeks private foreign investors, especially in the industrial, information technology, tourism, and higher education fields. The largest single industrial investment target is the port city of Sohar, near the UAE border, which has witnessed over \$12 billion in government investment alone. It is also building its port

and tourism industries, as well as expanding its trade ties with the U.S. through the ratification of a free trade agreement (FTA). As a result of the FTA, the Omani government introduced sweeping changes to its 2003 labor code, under which workers now are allowed to organize unions, conduct strikes, and engage in collective bargaining.

¶16. (SBU) On the political front, a larger than expected 62.7% of registered Omani voters reportedly cast ballots in a smoothly run national election on October 27 for members of the Majlis al-Shura (the directly elected lower house of Oman's bicameral consultative body). According to the results of a speedy electronic vote count, newcomers won 46 of the 84 seats. None of the 20 female candidates (including one women running for re-election) was elected, though the Sultan afterwards selected 14 women to serve in the Majlis al-Dawla, the appointed upper chamber. The newly elected Majlis members cannot initiate or veto laws, and they do not directly consider security or foreign policy issues. Instead, they are limited to reviewing and making recommendations to the government on draft legislation, the national budget and economic development plans. The Omani government reacted strongly to its Tier 3 designation on the State Department's 2007 Trafficking in Persons (TIP) report. Nevertheless, the designation has resulted in some positive government steps to address our concerns about trafficking.

Your Meetings with Omani Officials

¶17. (C) Your visit to Muscat will afford an important opportunity to gauge the views of the Sultan and the Minister Responsible for Defense Affairs on Iran and other regional issues. Below are some issues that you may wish to raise during your proposed meeting with the Sultan and with Minister al-Busaidi:

¶A. Meeting with the Sultan:

- As a long-time observer of Iran, how do you view Iran's long-term ambitions and strategy in the region?
- What threat does Iran pose to Oman and its neighbors?
- What is your view of the Iranian leadership?
- If Iran were to obtain a nuclear weapon, what would be the reaction of Arab states? Of Oman?
- In what way, and under what circumstances, could Oman make further contributions to Iraq's security and stability?
- What can the region and U.S. do to prevent conflict between Shi'a and Sunni in Iraq and elsewhere?
- How do you view the fight against terrorism and extremism as progressing?

¶B. Meeting with Defense Minister:

- What are your most pressing border security concerns?
- Do you foresee any instance in which Iran would pose a security threat to Oman?
- Do you have a strategy or contingency plans to defend against an Iranian military or terrorist action?
- What kind of threat might Iran, especially if it obtains nuclear weapons capability, pose to other GCC states?
- What is your view of the Iranian military and political leadership? Who is the most competent? The most political?

¶18. (U) In conclusion, overall Oman-U.S. relations, as well as the military-to-military relationship, are solid. Our daily interaction with the Omani leadership and armed forces is candid, constructive and marked by a spirit of cooperation on both sides. We look to strengthen and expand these already excellent relations.

GRAPPO